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## **INTRODUCTION**

Mt. Clemens Community School District entered into contract #BA-04-50002 with the Department of Human Services (DHS) to provide an After-School Program for children in the school district. The children participated in activities such as computer lab, tutoring, recreational activities, group discussions, field trips, and family night activities. The contract totaled \$364,739.87 and covered the period October 1, 2003 through June 30, 2004. On December 17, 2003 the contractor was notified that the contract would be terminated as of January 17, 2004. Mt. Clemens Community School District was reimbursed for the actual costs incurred in providing these services, through submission of monthly billings to DHS. Mt. Clemens Community School District submitted billings for October, November, and December 2003 which were approved and paid. They submitted a billing for January 2004, which was not approved. In March 2005, they submitted a revised billing for January 2004, which also has not been approved. We used the billing submitted in March 2005 as the total billed amount for our audit.

## **SCOPE**

The Office of Internal Audit performed an audit of Mt. Clemens Community School District to determine if their billings were accurate, and if the costs charged were allowable per the terms of the contract and properly supported by the accounting records and supporting documentation.

## **EXECUTIVE SUMMARY**

Based on our audit, we concluded that the Mt. Clemens Community School District's allowable and documented costs exceeded the amount they were reimbursed by DHS by \$41,132.86 (see Schedule A). Their revised final billing submitted in March 2005 included overbilled salaries, fringes, contractual services and miscellaneous expenses, and underbilled supplies expenses. Because the January billing has not been approved or

paid, our report recommends that the Field Operations Administration inform Mt. Clemens Community School District that they may submit a revised billing to accurately reflect the allowable costs of the BA Program.

We also concluded that Mt. Clemens Community School District incurred additional costs of \$3,556.80, which the Field Operations Administration may allow because the service provided was included in the contract although the cost to provide the service was not included in the contract budget.

### **MT. CLEMENS COMMUNITY SCHOOL DISTRICT RESPONSE**

The Mt. Clemens Community School District has reviewed the findings and recommendations included in this report. They indicated in a meeting on September 14, 2005 that they understand why we consider costs incurred prior to the start of the contract and costs not included in the contract budget unallowable, but they still believe the costs should be allowed because they were incurred for the Before and After School Program.

### **FINDINGS AND RECOMMENDATIONS**

#### **Salaries**

1. Mt. Clemens Community School District overbilled DHS \$2,919.96 for salaries because they billed for preparation time for the Program Coordinator (\$2,598.40) and four teachers (\$321.56) that was outside of the contract period.

#### **Fringe Benefits**

2. Mt. Clemens Community School District overbilled DHS \$613.77 for fringe benefits related to the disallowed salaries in finding #1.

### Contracted Services

3. Mt. Clemens Community School District overbilled DHS \$2,040 for the contractual services line item. They included prior year program costs (\$1,160) and license fees (\$880) that were not allowable under the terms of the contract.

### Miscellaneous

4. Mt. Clemens Community School District overbilled DHS \$800 for Miscellaneous expense. They billed \$1,000 for Meijer gift cards purchased in a prior period (April 2003), and they incurred \$200 in expense for a speaker at the family night events that was not included in the billing.

### Supplies

5. Mt. Clemens Community School District underbilled DHS \$21,236.27 (see Schedule A) for supplies that were purchased for the program. These supplies were allowable per the terms of the contract budget, but the School District removed them from their billing when they prepared the March 2005 revision.

In addition, Mt. Clemens Community School District spent \$3,556.80 for Boy Scout registration, *Boys Life Magazine*, and class materials to provide services that were required under the terms of the contract, but were not included as cost items in the budget. The contract stated that Lions Club would provide these services to the program, however, they were unavailable during the contract period. Mt. Clemens Community School District then contracted with the Boy Scouts to provide the required services. These costs are not included in the underbilled supplies cost reported above.

Also, Mt. Clemens Community School District reported \$2,309.62 in computer lab and supply costs. We did not include these costs in our audited costs figure because they had no documentation to support these costs. The contractor used the per site rate in the budget to bill for the lab costs instead of actual cost or a usage charge.

WE RECOMMEND that the Field Operations Administration (FOA) instruct Mt. Clemens Community School District to prepare a revised billing to include the actual, allowable costs incurred for this program, and that the FOA approve the revised billing for payment.

WE FURTHER RECOMMEND that the Field Operations Administration determine if the Boy Scout costs should be allowed, and inform Mt. Clemens Community School District if they should include these costs in their final revised billing.

#### Case File Review

6. We reviewed client case records to determine if the required TANF and survey forms were on file. We tested 244 student files for the month of January 2004 and found TANF forms for all the students. However, one student was recorded as a TANF eligible student, but the TANF form showed that the income level and number of people in the household did not meet the requirements for TANF eligibility. The program survey form was not completed by the students since the program ended in January instead of June.

SCHEDULE A  
Mt. Clemens Community School District  
Schedule of Billed, Audited, and Paid Expenses

	Billed per 3/4/05 Billing	Audited Cost	Over/(Under) Billed	Amount Paid	Amount Due Mt. Clemens Community School District
Salaries	\$75,331.88	\$72,411.92	\$2,919.96		
Fringe Benefits	\$15,834.76	\$15,220.99	\$613.77		
Communicatio n	\$585.62	\$585.62	\$0.00		
Supplies	\$16,831.25	\$38,067.52	-\$21,236.27		
Local Transportation	\$292.33	\$292.33	\$0.00		
Contractual Services	\$44,961.08	\$42,921.08	\$2,040.00		
Miscellaneous	\$14,865.88	\$14,065.88	\$800.00		
<b>Total</b>	\$168,702.80	\$183,565.34	-\$14,862.54	\$142,432.48	<b>\$41,132.86</b>